

**E-Commerce Update  
for  
15th Annual Government Financial Management  
Conference**

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(Financial Operations)**

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# ***E-Commerce Partnership*** **Agenda**

## **E-Commerce Initiatives**

- Stored Value Card (SVC)
- Paper Check Conversion - Over the Counter (PCC OTC)
- U.S. Debit Card (USDC)

# ***E-Commerce Partnership***

## **Players**

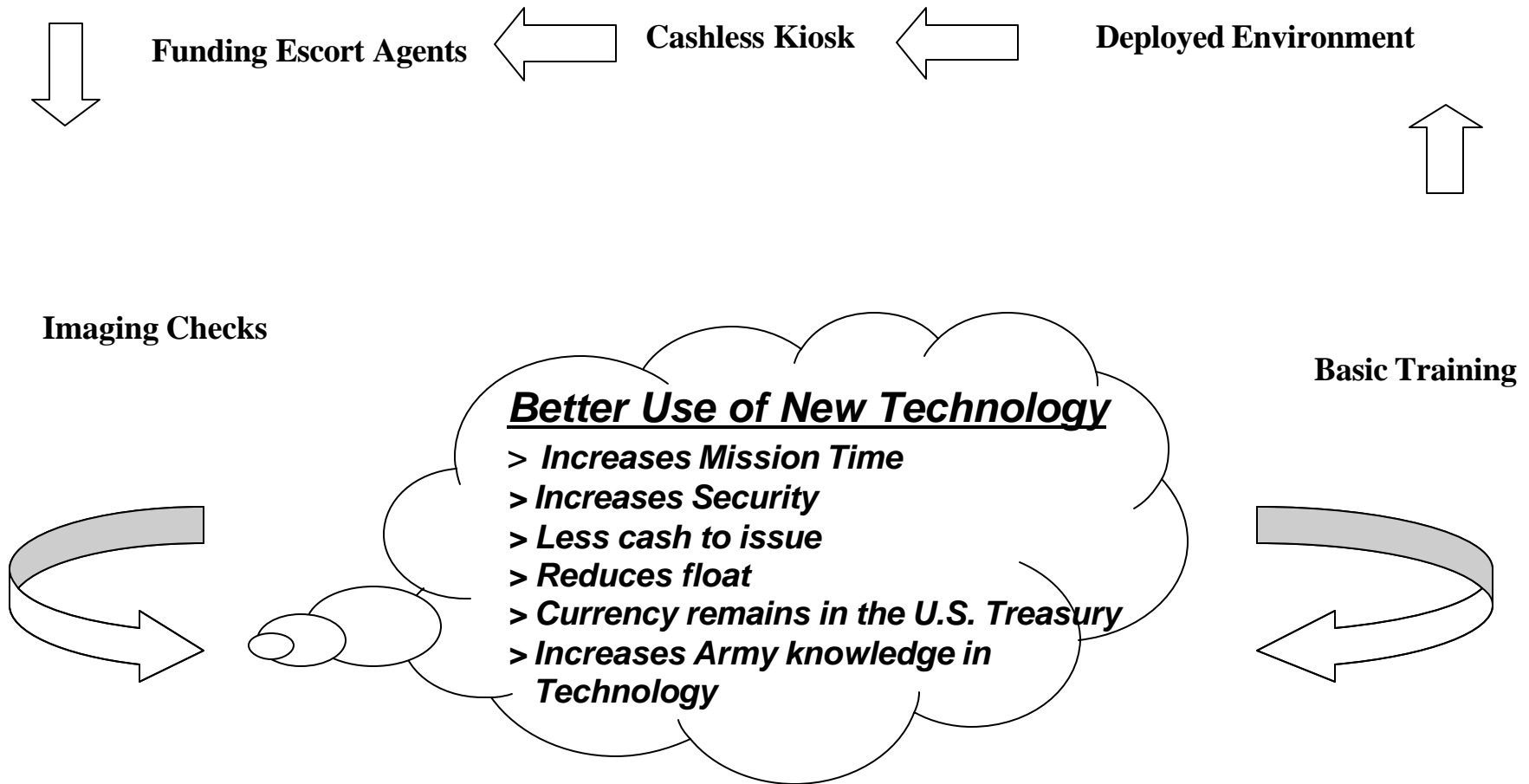
- Department of the Treasury (Financial Management Service)
  - Partner and provider of services
- Federal Reserve Bank of Boston
  - Backend for Stored Value Card and Kiosk
- Federal Reserve Bank of Cleveland
  - Backend for Paper Check Conversion (PCC OTC)
- Assistant Secretary of the Army (Financial Management & Comptroller)
  - U.S. Army Finance Command acts on behalf of the ASA(FM&C) on program policy and oversight
- Finance Offices Overseas
  - Users

# *E-Commerce Partnership*

## **Treasury & Army Collaboration**

- Train Military personnel on site (e.g., Afghanistan, Honduras, Iraq, Kuwait, Qatar, etc.)
- Test hardware and software
- Develop improvements to products
- Share knowledge with other Military and Federal agencies

# ***E-Commerce Partnership Initiatives***



# *E-Commerce Partnership*

## **Stored Value Card**

### **The Business Problem**

- Army Finance Office uses U.S. currency for operations
  - Basic training, payroll, check cashing, and foreign exchange
  - Support for AAFES stores, Post Offices, etc.
- Army ships physical coin and currency into theaters
- High costs to transport, secure & account for currency
- U.S. currency may disseminate into local economy

# ***E-Commerce Partnership*** **Stored Value Card**

## **The Business Solution**

- Use SVC to displace coin and currency
- Use SVC to automate transactions and accounting

**Basic Training**

**Deployed Environment**

# ***E-Commerce Partnership***

## **EZpay SVC**

- Card is standard at Army, Air Force and Marine Corps basic training sites
  - Recruits initial advance pay loaded versus providing cash
  - Card issued by the Defense Military Pay Office (DMPO)
    - Non-reloadable card
    - Amounts on card = \$250-\$300



# ***E-Commerce Partnership***

## **EZpay SVC Benefits**

- Reduced cash requirements at Army sites by \$204 million
- Soldiers no longer have to purchase money orders to safeguard their funds...\$125,000 yearly savings
- Reduced checkout time at AAFES counters by 1,876 hrs ...increased mission time for training
- Standardized card at Air Force and Army basic training sites...19%/\$130K reduction from initial deployment cost

# ***E-Commerce Partnership***

## **EagleCash SVC**

- Pilot started Dec 1999 at Camp McGovern, Bosnia
  - Card issued at Finance versus U.S. \$...the standard!
  - Reloadable card
- Expanded Program
  - Afghanistan, Bosnia, Honduras, Hungary, Kosovo, and Qatar
    - Next...Saudi Arabia...FY 05
    - Reviewing Sinai, Kuwait and Iraq...FY06
- Program audited
  - Recommendation:
    - Program be extended to other OCONUS deployments

# *E-Commerce Partnership*

## **EagleCash SVC Benefits**

- Reduced cash in contingency areas by \$170 million
- Alternative to Military Pay Certificates
  - Savings...\$1.5 million for printing per \$60 million and \$25K storage fee per year
- If card is lost, Soldiers can receive a refund of unused funds on a new card
- Deters black marketing & counterfeiting
- Command support has been key to success of program

# ***E-Commerce Partnership***

## ***Next...EagleCash Kiosk***

- Finance Office
  - Issues card, loads PIN and financial institution information on card
- Cashless Kiosk
  - Transfer funds from checking or savings to card
  - Transfer funds from card back into checking or savings
  - Transfer funds from card to card
  - View balance of card
  - No fees per transaction
  - Operates via dedicated phone line
    - Batch process at end of day
    - Future...use LAN via secure internet
- Status
  - Deploy kiosks FY05
    - Afghanistan, Balkans, and Saudi Arabia

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## **Paper Check Conversion (PCC)**

Converts paper checks into electronic debits to a check writer's account via secure internet to the Federal Reserve Bank of Cleveland.

# *E-Commerce Partnership*

## **Paper Check Conversion (PCC)**

### **The Business Problem**

Most overseas finance offices process check deposits via the Overseas Military Banking Program or mail their deposits to a Federal Reserve Bank using manual SF 215 deposit tickets. This manual process is labor intensive and returned checks (NSF) could take between two weeks to three months to debit the finance officer's account. \_\_\_\_\_

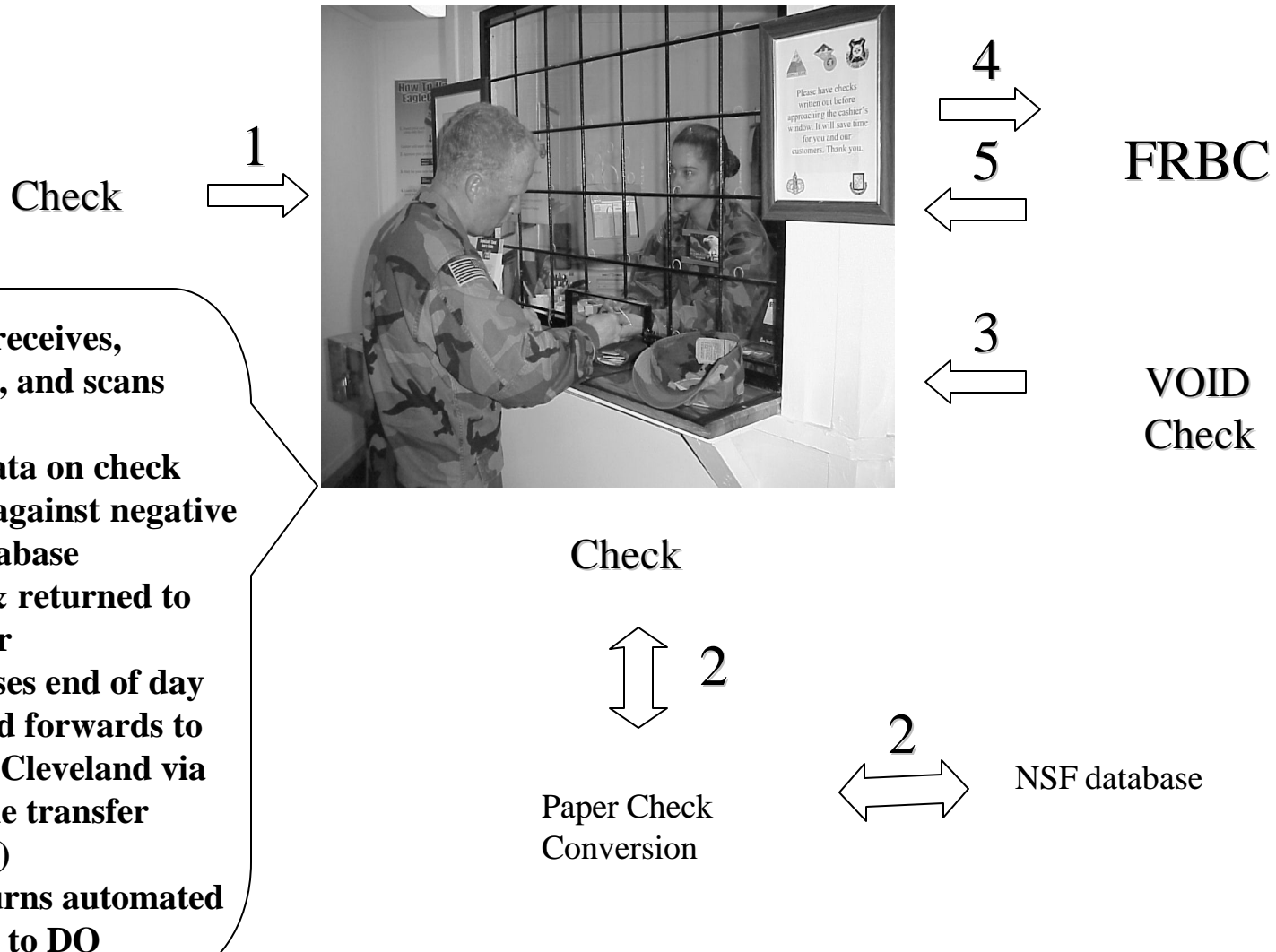
# *E-Commerce Partnership*

## **Paper Check Conversion (PCC)**

### **The Business Solution**

Replace manual deposits with the Paper Check Conversion process which converts paper checks into electronic debits to a check writer's account via secure internet within 24-48 hours.

# *E-Commerce Partnership*





# ***E-Commerce Partnership***

## **Paper Check Conversion (PCC)**

- Deployed to date (Oct 2001 – June 2005):
  - Afghanistan, Belgium, Bosnia, Germany, Honduras, Hungary, Korea, Kosovo, Kuwait, Iraq, Italy, Netherlands, Qatar, Sinai, Saudi Arabia, and SRO Unit
  - June 2005...accept all checks (e.g., Treasury checks, money orders, etc.)
- What's next
  - Train Soldiers at the Finance School effective 3rd Qtr, FY05
  - Software update scheduled for fall 2005

# ***E-Commerce Partnership***

## **Paper Check Conversion (PCC) Benefits**

- Changes check cashing behavior of customer
  - Reduces early check writing
  - Improves customer check balancing
  - Check returned to customer by cashier
- Automated deposits and debits  
(SF215 and 5515) to Disbursing Officer
- Checks processed within 24-48 hrs,  
via secure internet to FRB Cleveland
- Reduced notification of NSF from  
28 days to 2 days
- 99.6 percent success rate on 1st presentments of checks
- Standardize check verification across all finance offices

# ***E-Commerce Partnership*** **U.S. Debit Card**

## **The Business Problem**

Present business method of funding escort agents via a U.S. Treasury check is not timely, inefficient and costly to effectively pay for expenses of the Foreign Dignitaries Program at U.S. Southern Command.

# ***E-Commerce Partnership***

## **U.S. Debit Card**

### **The Business Solution**

Provide U.S. Southern Command resource manager (RM) with a cash management tool (U.S. Debit Card) that is flexible for escort officers to meet their mission needs for the Foreign Dignitaries Program (i.e., escorting and paying for foreign visitor expenses versus carrying large amounts of cash).

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## **U.S. Debit Card Features**

- Magnetic stripe card with no name
- Usage at ATM or POS or both
- PIN protected
- Immediate activation or future activation via secure internet
- Issued on-the-spot or from a central location
- Disposable or reloadable
- Not linked to any bank account
- Anonymous or identified
- Issued in any dollar amount
- Multiple cards can access one pool of funds
- Immediate de-activation
- On-line reports

# ***E-Commerce Partnership***

## **U.S. Debit Card Benefits**

- No need for DFAS to issue/mail check to escort officer
  - Cards issued by RMs on the spot (no name)
  - Immediate funds availability to escort officer
  - Better internal controls, RM can review funds spent and has ability to cancel card on-line
- Reduces or eliminates reliance on the State Dept (SD) to make disbursements to agents
  - Process charges by SD range \$50-70 (estimate) per request
  - Reduces NULO's and TBO's from SD
- Eliminates Escort officer/Agent commingling deposits into their own accounts due to cashing official check
- Program reviewed by Army Audit Agency
  - Strong program
  - Excellent internal controls
  - Move from pilot to production

# ***E-Commerce Partnership***

## **Statistical Data**

as of June 2005

<b><u>Initiative</u></b>	<b><u>Cards Issued or Checks Processed</u></b>	<b><u>\$ Processed</u></b>
• EZpay SVC	816,000	\$204 million
• EagleCash SVC	63,000	\$170 million
• U.S. Debit Card	832	\$ 7 million
• PCC OTC	1,453,000	\$565 million

# ***E-Commerce Partnership***

## **Summary**

### **Before**

- U.S. Currency
  - Transportation of Cash
  - Black market issue
  - Counterfeiting issue
- Check Processing
  - Manual process
  - Depends on mail system
- Escort Agent
  - Cash
  - Security problems
  - NULOs/TFOs
  - Commingling of funds

### **After**

- SVC
  - Automated
  - Cashless
  - Better security
- PCC
  - Automated
  - Expedite processing 24-48 hrs
- U.S. Debit Card
  - Automated
  - Better internal controls
  - No name required
  - Preposition cards